

Vendor Check Management
FI-AP-003
09/30/08



LaGOV

Version 1.01
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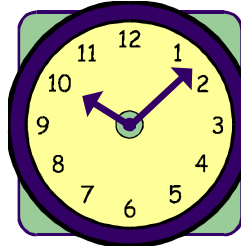


Agenda

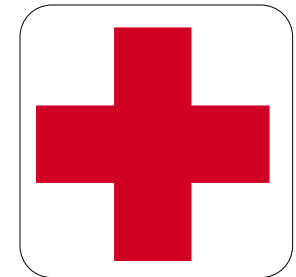
- Logistics, Ground Rules & Introduction
- Project Timeline
- Workshop Objectives
- Business Process Review
 - Process overview
 - AS-IS process flow
 - Current system alignment
 - Process improvement opportunities
 - SAP terms glossary
 - SAP concepts & functionality
 - Business process flow
 - Leading practices
 - Enterprise readiness challenges
- Next Steps – Action items
- Questions



Logistics



Before we get started ...





Ground Rules

- Has everybody signed in?
- Everybody participates – blueprint is not a spectator sport
- Silence means agreement
- Focus is key – please turn off cell phones and close laptops
- Challenge existing processes and mindsets
- Offer suggestions and ideas
- Think Enterprise
- Ask questions at any time
- One person at a time please
- Timeliness – returning from break
- Creativity, cooperation, and compromise





Introduction

■ Roles

- **Process Analyst and Functional Consultant** – lead and facilitate the discussions and drive design decisions
- **Documenter** – take detailed notes to support the formal meeting minutes to be sent by the Process Analyst to all participants for review and feedback
- **Team Members** – provide additional support for process discussions, address key integration touch points
- **Subject Matter Experts** – advise team members on the detailed business process and participate in the decisions required to design the future state business process

Round the Room Introductions

Name

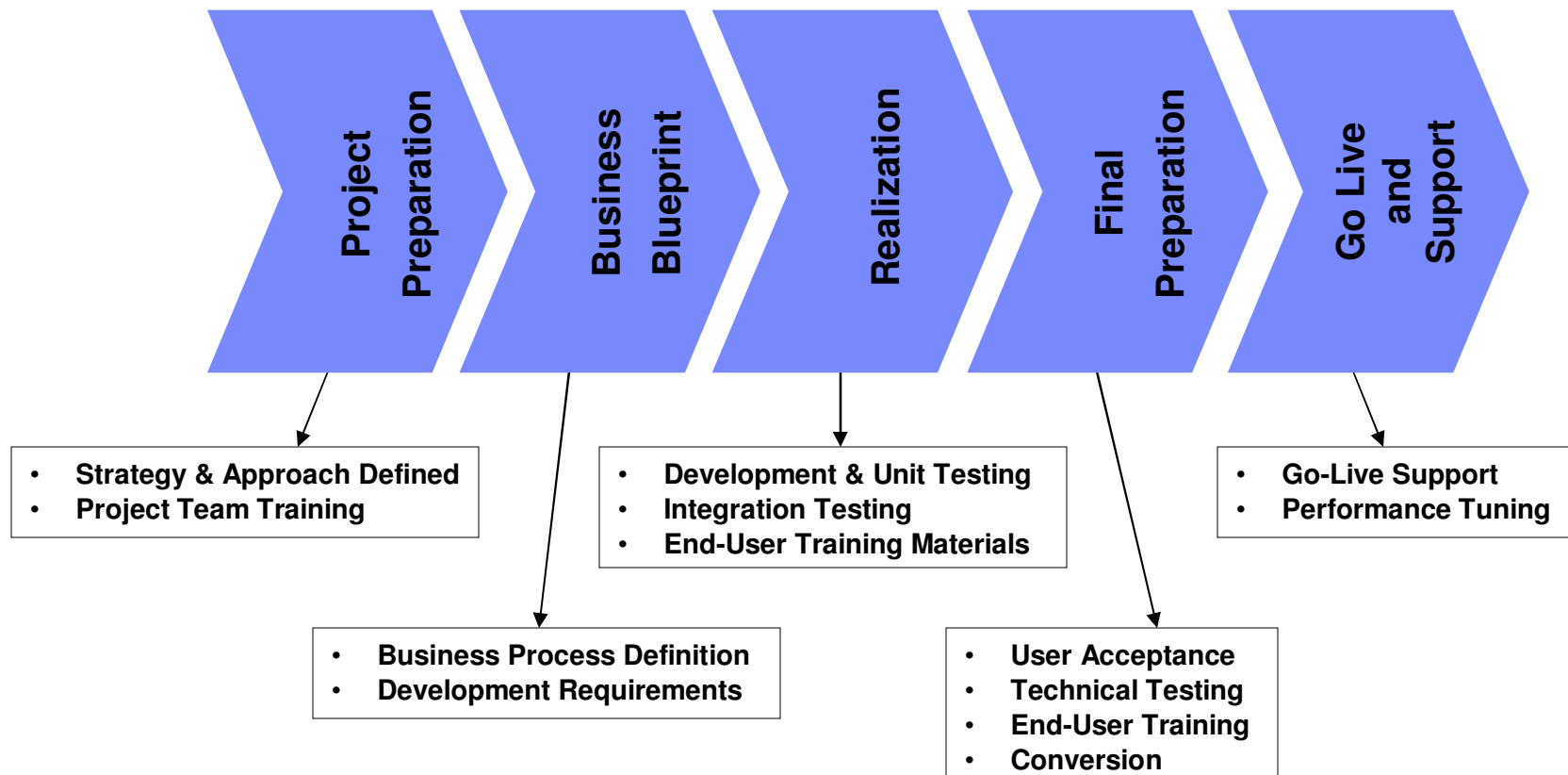
Position

Agency



Project Phases

■ Five Key Phases





Project Organization - Functional Teams

Finance Leads

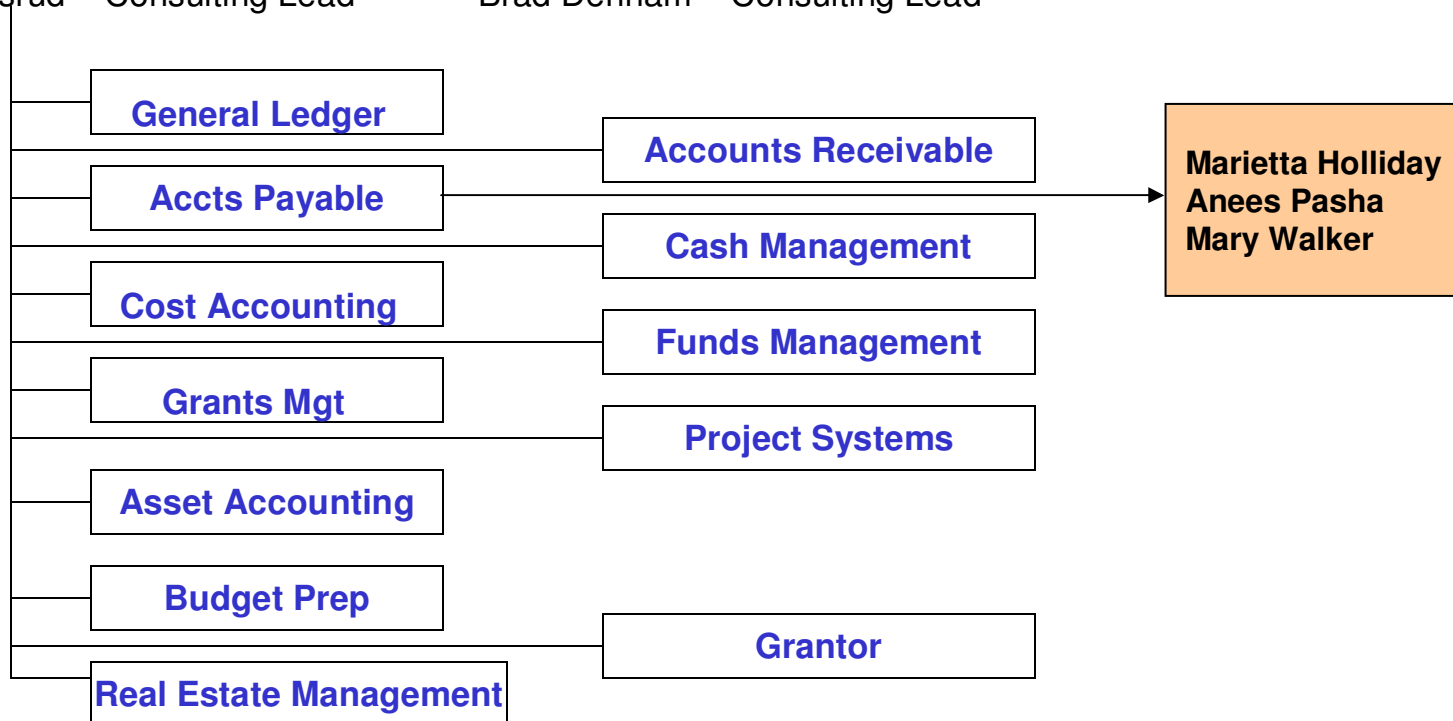
Beverly Hodges – Finance Lead
Drew Thigpen – Finance Lead
Mary Ramsrud – Consulting Lead

Logistics Leads

Belinda Rogers – Logistics Lead
Jack Ladhur – Logistics Lead
Brad Denham – Consulting Lead

Linear Assets Leads

Mark Suarez – Agile Assets Lead
Charles Pilson – Consulting Lead





Blueprint Objectives

- Review and discuss the current or As-Is business processes
 - Which helps to drive out the *Business requirements*
 - As well as the *integration points* with other processes
- Define Master Data
 - Address key integration points
 - Support organizational requirements
 - Consistent and appropriate use of data fields
- Define Future or To-Be business processes based on:
 - Best Practices inherent in SAP
 - Intellectual capital from other SAP implementations
 - State business requirements
- Identify development requirements
 - Which could result in the need for a form, report, interface, conversion, enhancement, or workflow (FRICE-W)
- Understand and communicate any organizational impacts / Enterprise Readiness challenges
- Gather system security authorizations and district-wide training requirements



Accounts Payable Workshops

Session ID	Date	Business Process	Goals
FI-AP-001	08/18/08	Account Code Structure – Vendors	<ul style="list-style-type: none"> - Build business process design for maintaining vendors - Determine field level requirements for Non PO vendors & reporting requirements - Determine use of vendor master functionality - Identify legacy systems that will be used for data conversions
FI-AP-002	09/17/08- 09/18/08; 09/23/08	Accounts Payable Processing	<ul style="list-style-type: none"> - Develop business process design for Non PO related vendor invoice approvals - Develop business process design for 3-way/2-way match PO related invoice approvals - Develop business process design for invoice billing discrepancies and invoice tolerances - Develop business process design for vendor down payments. - Develop business process design for outgoing vendor payments - Develop business process design for vendor cash refunds and credits - Develop business process design for recurring vendor invoicing - Develop business process design for vendors who are also customers
FI-AP-003	09/30/08- 10/01/08	Check Management	<ul style="list-style-type: none"> - Develop business process design for house banks/bank accounts/check numbering in SAP - Identify check design (output form) - Develop business process design supporting daily check management - Develop business process design for reporting requirements for check management) - Develop business process design supporting escheated checks, return payments
FI-AP-004	10/22/08	1099 Processing	<ul style="list-style-type: none"> - Develop business process design supporting 1099 invoicing and reporting requirements - Develop business process design supporting validating 1099 vendor master data - Develop business process design supporting 1099 data transmission/corrections
FI-AP-005	10/21/08	Non Payable Invoices	<ul style="list-style-type: none"> - Develop business process design for free of charge vendor invoicing
FI-AP-006	10/30/08	Purchasing Card Processing	<ul style="list-style-type: none"> - Develop business process design to import purchasing card data from banking institution - Develop business process design for maintaining default purchasing card account coding - Develop business process design supporting expense approvals/controls/posting - Develop business process design supporting expense posting corrections - Develop business process design supporting period end close procedures - Develop business process design supporting purchasing card credits - Identify reporting requirements



Accounts Payable Related Workshops

Session ID	Date(s)	Business Process	Integration Point with AP
FI-CM-001	10/16/08	Cash reporting	Define number of bank accounts that will be used

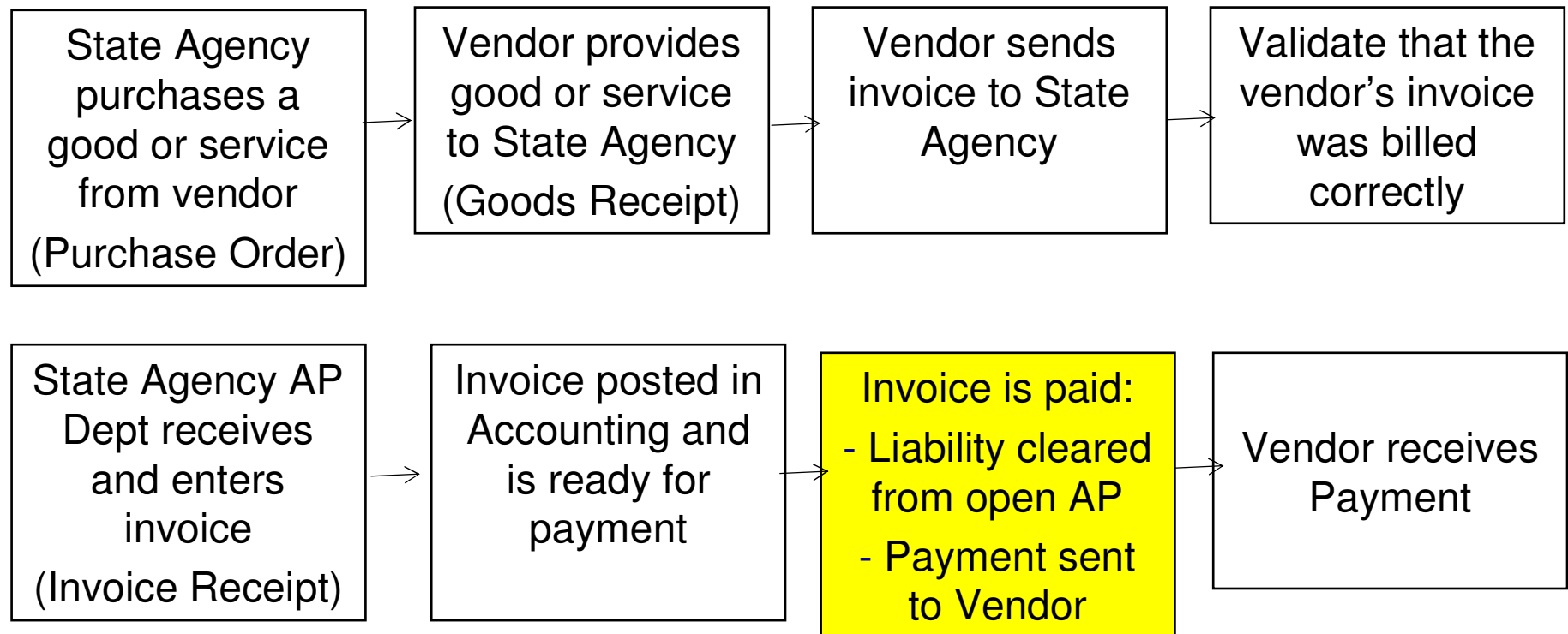


Work Session Objectives

- Review vendor payment process, including payments made via Imprest Fund (petty cash)
- Define house bank/bank accounts used for vendor payments
 - Check
 - ACH
 - Wire
- Define check number schema for vendor checks
- Define business requirement for check output design
- Develop business process design supporting daily check management
 - Positive payment file processing
 - Stop payments
 - Check Void
 - Cash check files processing
- Develop business process design supporting 'stale' checks and return payments (checks and ACH)
- Identify reporting requirements for check management



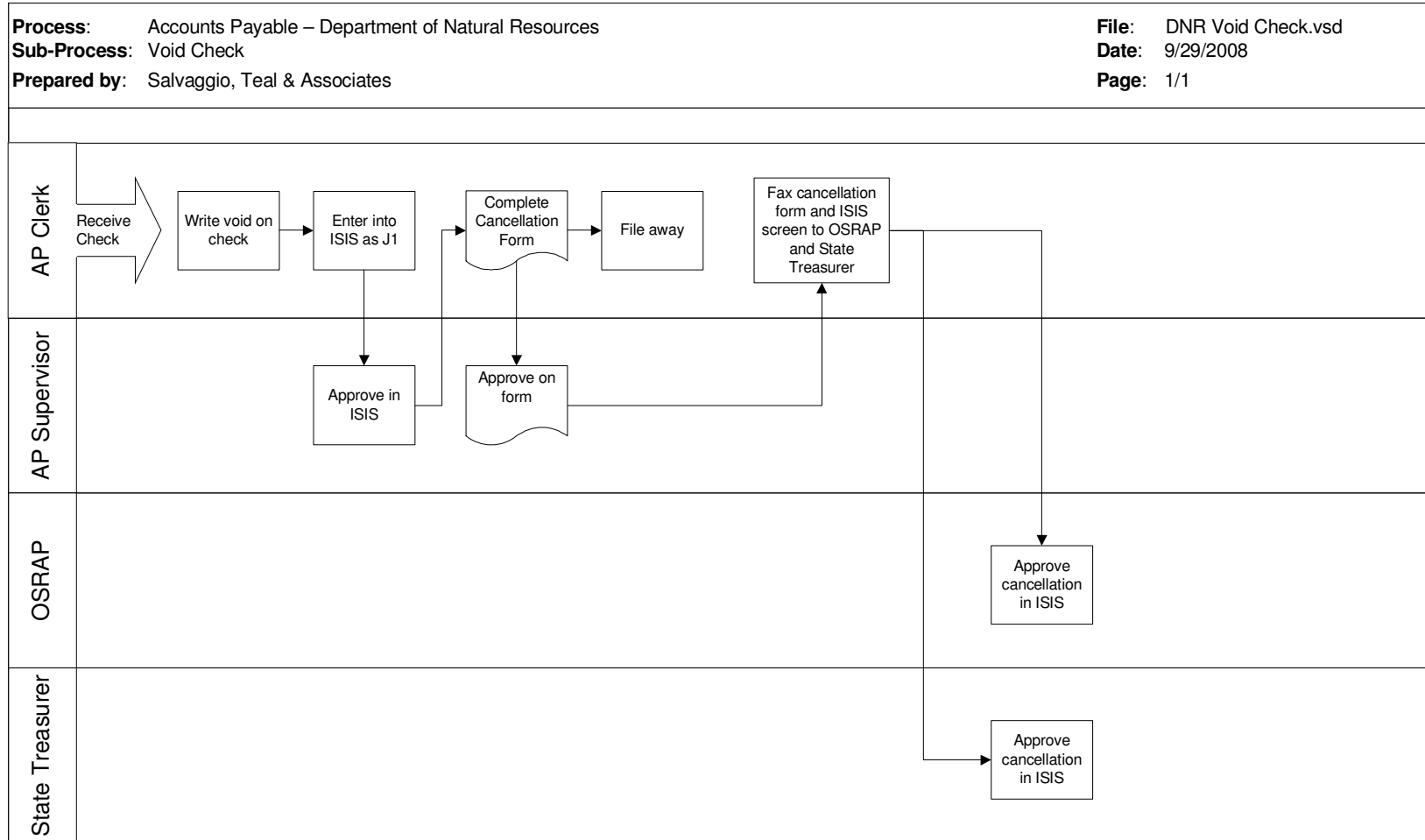
High Level Process Overview Vendor Invoice through Vendor Payment





AS-IS Process – DNR

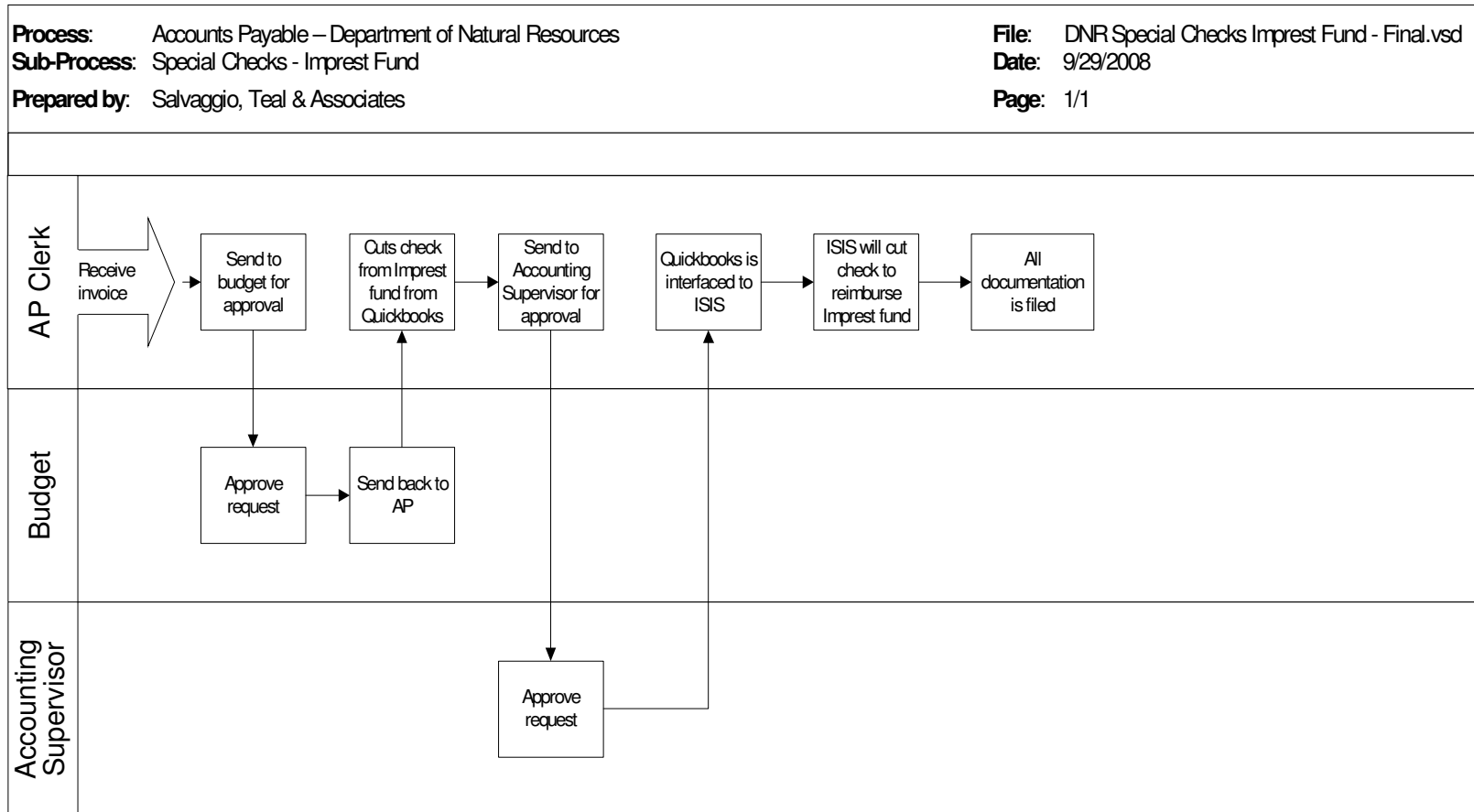
Void Check





AS-IS Process – DNR

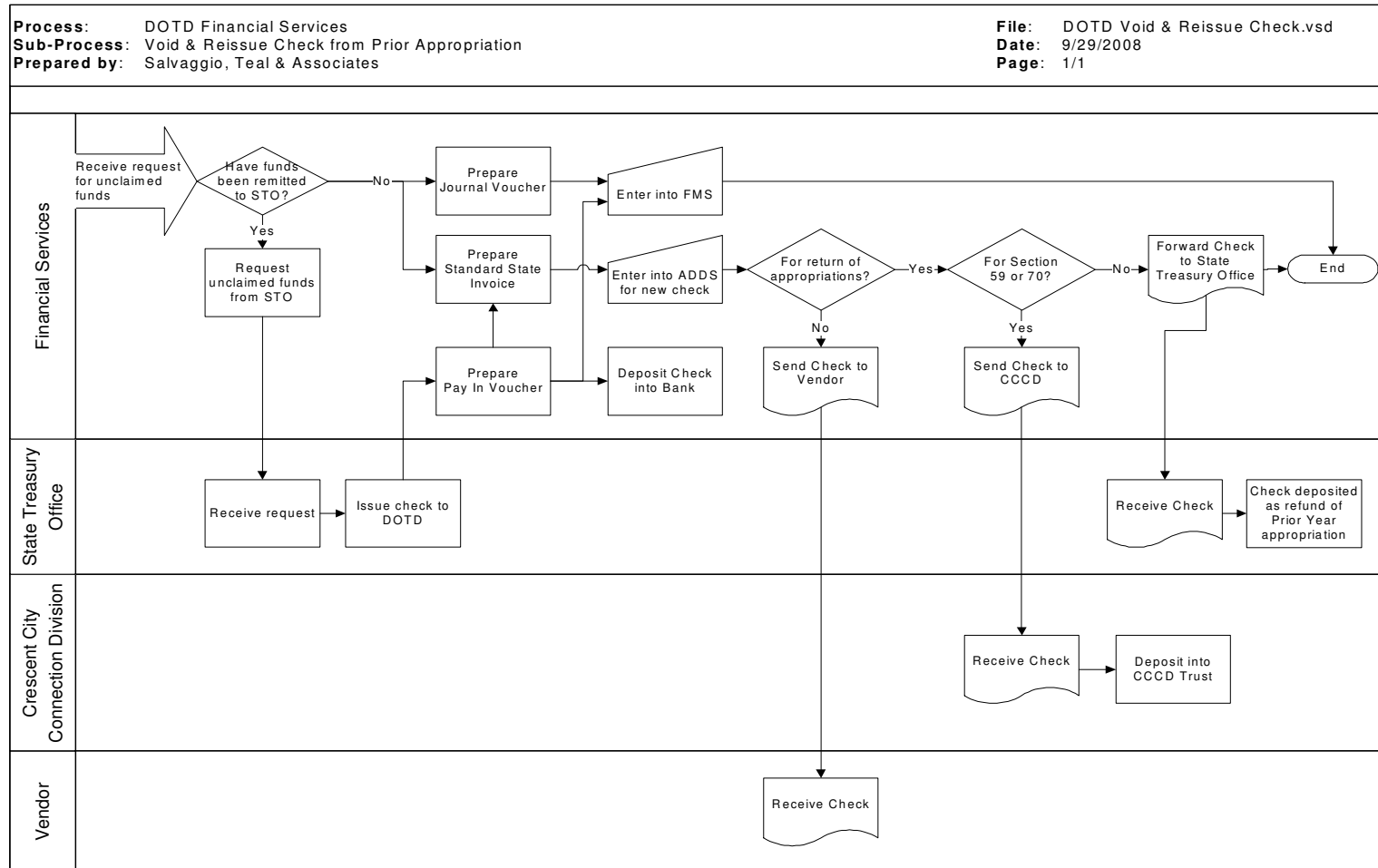
Special Checks Imprest Fund





AS-IS Process – DOTD

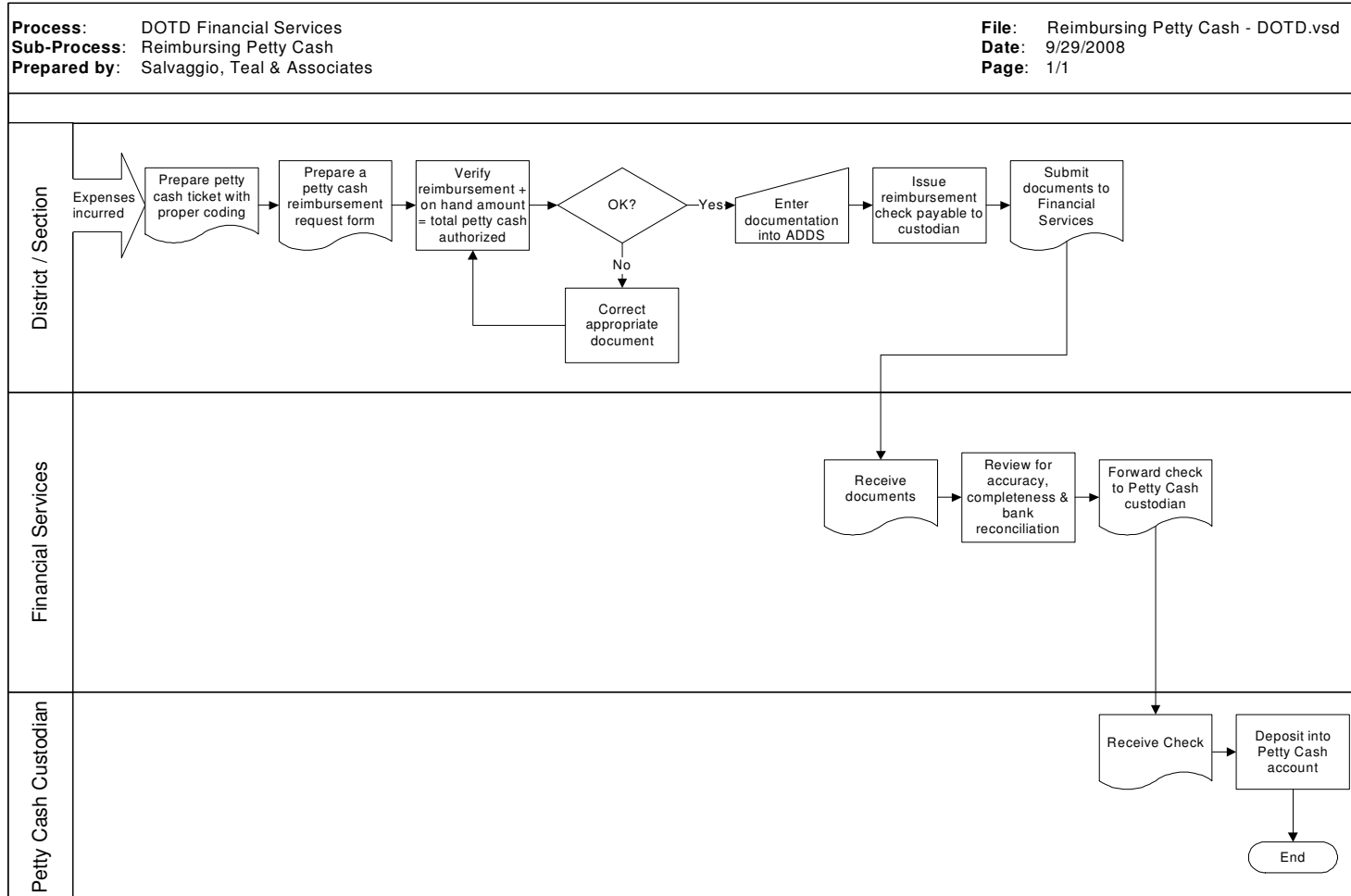
Void and Re-Issue Check





AS-IS Process – DOTD

Petty Cash Reimbursement





Retiring Payment Systems

- AFS – Advantage Financial System
- ADDS – Automatic Data Disbursement System
- FMS – Financial Management System
- ★ QuickBooks – *Explore options to retire this offline system if SAP can accommodate business requirements for immediate check printing*



Process Improvement Opportunities (Pain Points)

- Tightly integrated with Cash Management module for forecasting and reporting processes
- Centralized repository for payment and check information
- Flexible reporting (standard reports and custom development)
- Drill-down reporting capability for vendor account management



Leading Practices

- Establish internally assigned check numbering
- Utilize blank check stock
- Implement system controlled separation of duties for vendor invoicing and payments
- Periodic internal audit of payment processing including check management processes
- Daily reconciliation of checking account using positive payment file and cash check file business processes



SAP Glossary

Accounts Payable Check Management

- House Bank - a business partner that represents your bank
- Payment method - method that specifies how payment is to be made
- Payment program – AP functionality used to select open vendor items, clear liabilities and generate payment medium
- Check lot – check numbering schema used to assign check numbers during payment processing
- Void reason code – 2 digit reason code used to identify reason for voiding a check

- Manual check – check output generated outside of the SAP system but check information is manually entered into system and managed in SAP
- Check encashment – date that check was cleared at bank
- Positive Payment - service provided by most banks that provides a means to perform daily reconciling between a company's issued checks and checks presented for payment. Used to identify potentially fraudulent checks
- Cashed check file – service provided by bank that provide a means to electronically cash checks in system

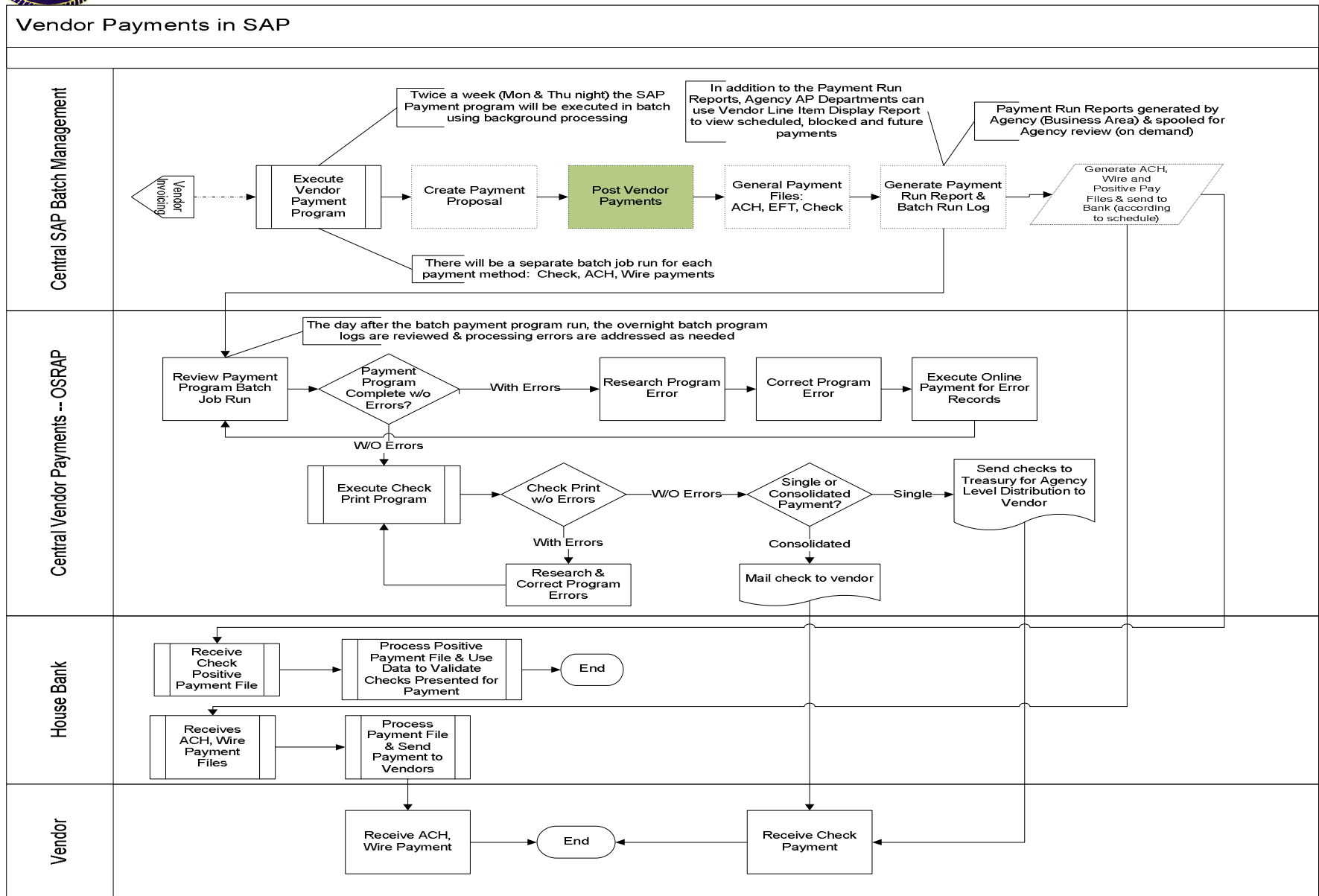


Review Vendor Payment Processing

- Vendor payment program functionality clears open vendor items (invoices and credits) and generates payments based on configured payment methods (check, ACH, etc)
- Vendor payment program can be executed online or schedule to run in batch
- Payments can be made for all vendors across agencies (centralized payment processing) or decentralized by agency
- Per vendor specification, multiple payments to one vendor can be consolidated on one payment medium (check, ACH, etc)
- Payments are typically reviewed using payment proposal functionality prior to generating actual payments
- Payment program does not clear blocked invoices
- Standard functionality supports: checks forms, ACH files, positive payment files and cleared check files



Draft To Be Vendor Payment Process





Review of House Banks and Bank Accounts in SAP

- House banks are considered master data in SAP
 - Each house bank can have an unlimited number of bank accounts that are managed within the house bank
 - Typically, the bank accounts defined for a House Bank are one to one with the actual bank accounts held at the our bank
 - House bank/bank accounts are used in Accounts Payable to pay vendors & Cash Management to reconcile the general ledger bank accounts
 - Vendors are tied to a House bank on their master record
 - Payment methods are tied to a bank account in system configuration
- Cash Management workshops will design the number schema for the House banks & bank accounts
 - It is a best practice to have a separate bank account for each payment method: vendor checks, vendor ACH, vendor wires, etc
 - Each bank account is tied to a general ledger account in the system configuration
- Standard functionality provides:
 - Integration with FI General Ledger and CM reporting during payment program processing, voids and check encashment processing



House Bank and Bank Accounts - Recommendations

Key Recommendation

- House banks will be defined by the CM team during their master data workshop
- Define separate bank accounts based on outgoing payment function:
 - Vendor check payments
 - Vendor ACH payments
 - Vendor Wire payments

Key Drivers

- Separate bank accounts are easier for cash management reconciliation
- Provides segregated reporting in Cash Management

Pros

- Industry best practice

Cons

- None



Check Number & Check Output Design

- SAP provides flexibility functionality that can accommodate externally numbered check stock or internally numbered checks
 - Externally numbered checks have check stock with check numbers printed on the check stock paper
 - Internally numbered checks allow SAP system to assign check number to check at the time of printing
- Check numbers are defined by a check lot in the system configuration
 - Typically each bank account has a separate check number range
 - Additionally, SAP check accounts have a separate check number range from the legacy check accounts
- Check design will depend on the type of check used:
 - SAP form based
 - Preprinted check stock



Check Number Schema & Check Design - Recommendations

Key Recommendation

- Use internally assigned check numbers
- Separate check number range for each bank account
- Use SAP check form printed on blank stock at the time of payment

Key Drivers

- Internally assigned check numbers provides better control and management of checks (fraudulent checks)
- Separate check number ranges provide a easier means to identify the bank account and business function of the check
- SAP check forms can be customized to business requirements

Pros

- Industry best practice

Cons

- None



Review of Positive Payment Outgoing Interface

- SAP provides standard data extract functionality that can produce a outgoing check file that contains outgoing checks issued and voided checks during user defined time period
- Most bank provide a service that will use this data extract as an interface and compare the data on the file with checks presented for payment
 - Checks that are NOT on the positive payment file or are defined as voided on the file are NOT honored by the bank
 - Bank notifies responsible party at the State of the fraudulent check
- There is no standard file layout across all banks so utilizing this functionality in SAP will require minor customization of the extract file layout
- What agencies use this functionality?
- Do you see any value in using this functionality across agencies?



Review of Cashed Check Incoming Interface

- SAP provides standard functionality that can accept cashed check information from the bank via an incoming interface
- Most bank provide this service to ease checking account daily reconciliation by electronically updating the check register in SAP
- Types of information provided on check file:
 - Check date
 - Check number
 - Check amount
 - Cash date
- Check encashment is tied to AP reporting (vendor and check register) and CM reporting
- Check encashment can also be done manually online
- Do you see any value in using this functionality across agencies?



Check Voids, Cancelled Payments and Return Checks

- Issued checks can be voided in the system using standard void functionality
- Users can void an check and cancel payment (re-opening the cleared invoice)
- User can also void a check but keep the payment and invoice cleared
- Checks are voided using void reason
- Voided checks are included on positive payment files
- What void reasons are used across agencies?
- What is the typical business process for voiding checks, cancelling payments?
- What is the typical business process for returned checks?



Review of 'Stale' Check Processing

- Stale checks, sometimes called escheated checks, refer to unclaimed (outstanding) check payments
- Typically outstanding checks are deemed 'stale' 1 year after issue
- What is the current process used to handle this type of outstanding checks?
- What is the time frame used to deem a check 'stale'?
- What type of controls do we need in SAP?



Check Management Reporting Requirements

- SAP provides standard reporting for check management:
 - Check register
 - Drill-down reporting on vendor payment history
 - Check display (check info not imaging)
 - Average check encashment reporting in CM
- Custom reporting can be defined using ABAP reporting or BI reporting
- What are the reporting requirements for check management?



Enterprise Readiness Challenges

- Training
- Establishing and adhering to enterprise wide check management policies



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Next Steps

- Prepare and send out meeting minutes to invitees.
- Draft Design Document is prepared.
- Follow up on action items identified during the workshop.
- Schedule off-line meeting (s) to discuss areas of special concern
- Plan follow on workshops, as required.
- Plan validation workshop.
- Ensure all to-do's are appropriately documented



Questions?

